

EMPIRE LIFE INFORMATION CIRCULAR

DATE: July 4, 2011

Nº. 2011-16

CATEGORY : LIFE INSURANCE

TO : Managing General Agents, Associate General Agents, Brokers,
General Agents, Independent Financial Advisors and National Accounts

SUBJECT : **Changes to Optimax and level cost Solution plans—Transition Rules**

As communicated in Information Circular 2011-14 *Changes to Optimax and level cost Solution plans*, Empire Life will be making the following changes to the permanent participating product lines and permanent non-participating level cost of insurance plans. These changes, originally scheduled to start July 11, 2011, will now take effect **July 18, 2011**.

Solution 100 (with values) and 20 Pay Solution

- Rate increases will be introduced on Solution 100 (with values) and 20 Pay Solution plans.
- New cash surrender values for both plans with Cash Values starting after the 10th policy anniversary. This makes cash surrender values available 10 years earlier.
- Reduced paid-up values will also commence after the 10th policy anniversary on both plans.
- The first year commission for 20 Pay Solution will be reduced from 55% to 50%.

Optimax Plan

- Rate increases will be introduced on both the Optimax 100 and Optimax 20 pay plans.
- All product values have been re-priced for both plans.
- Both plans will now have one rate band for all coverage amounts.
- For both plans, first year commission will be 55% for all coverage amounts.
- Empire Life will no longer accept new applications for the legacy version of our participating life insurance product called **Optimax III**.

Software (Envision 8.9) Highlights

- All changes included above including the removal of Solution 100 (Term).
- New and improved underwriting requirements for life and critical illness.
- Improved reports, scheduling and solve capabilities.
- Unrestricted access to Financial Estate Planning software.
- Unlocked ability to export to excel.
- New branded reports on all illustrations.
- New simplified reports on Solution and Vital Link illustrations.
- A number of other software fixes included in this version.

Detailed information on both software and underwriting changes will be released in separate upcoming information circulars.

Transition Rules

- Applications received at Head Office after **July 18, 2011** will be set up using the new plan rates and/or plan structures.
- All pending “in the mill” business that is in Head Office on July 18, 2011 will be eligible for the existing plan/rates structure until the application is closed by Head Office for outstanding requirements.
- Applications for Optimax III received at Head Office after July 18, 2011 will be held for up to 10 business days awaiting instructions for a new plan type.
- Any request to re-open an application for old rates that has been closed must be received at Head Office by July 18, 2011 in order to qualify for existing rate/or plan structures.

To guarantee that clients receive the old rates and plan, applications must be received at Head Office no later than **July 18, 2011**. Please make sure you allow time for courier service and delivery.

Frequently Asked Questions

1. If I am planning to submit an application for Optimax, Optimax III, Solution 100 (with values) or 20 Pay Solution, when is the cut-off date?

All applications for older rates/plans must be received at Head Office, in good order, no later than close of business on July 18, 2011. We will not accept faxed applications. Applications for Solution 100 with Values and 20 Pay Solution, whether submitted as a policy, rider or conversion, must be submitted using the normal practice for sending in applications. Scanned applications will only be accepted from MGA offices currently approved to submit scanned applications providing they arrive at Head Office prior to the close of business on July 18, 2011. The same applies for Optimax and Optimax III.

2. What happens to Optimax III applications that arrive at Head Office after the cut-off date?

Applications for Optimax III received after the cut-off will be held for 10 business days awaiting new plan instructions. You will have the option to select another product. However, if we do not receive instruction within 10 business days, we will close the file and mark ‘not proceeded with’ (NPW) and return the premium cheque to the client as per normal practice. We do not return applications.

3. What if an application is closed (NPW) before or after the cut-off date and we wish to re-open?

Any requests to re-open an application for old rates that has been closed out must be received at Head Office by July 18, 2011 in order to receive old plan rates or structures. Once an application is closed out for outstanding requirements, only new plan rates/structures will be available.

4. Why are these changes being made now?

We have frequently referred to current market conditions and forecasts calling for continued low, long-term interest rates. This is driving the need to increase long term, guaranteed, insurance rates in Canada. These latest changes are a natural progression of our commitment to ensuring the viability of all our products for all stakeholders with Empire Life.

References: **Steve MacCharles**, Vice-President and Product Actuary
Peter A. Wouters, Director, Retail Insurance Products & Marketing and Director, Tax & Estate Planning

